

BURTCHVILLE TOWNSHIP, MICHIGAN

**ANNUAL FINANCIAL REPORT
with Supplementary Information**

**FOR THE YEAR ENDED
MARCH 31, 2008**

Stewart,
Beauvais
& Whipple P.C.

CERTIFIED PUBLIC ACCOUNTANTS



BURTCHVILLE TOWNSHIP, MICHIGAN

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Township Board
Burtchville Township
St. Clair County, Michigan


We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Burtchville Township, Michigan, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Burtchville Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Burtchville Township, Michigan, as of March 31, 2008, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2 through 6, and schedules of budgetary comparisons on pages 32 through 34 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Burtchville Township's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedure applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Certified Public Accountants

July 29, 2008

OVERVIEW OF THE FINANCIAL STATEMENTS

Burtchville Township's 2008 annual report is presented in conformity with the requirements of GASB 34. This annual report consists of four parts – management's discussion and analysis, the basic financial statements, required supplementary information, and other supplemental information, which presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the Township. The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Township's government, reporting the Township's operations in more detail than the government-wide statements.

Government-wide Financial Statements

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid (full accrual).

The two government-wide statements report the Township's net assets and how they have changed. Net assets, defined as the difference between the Township's assets and liabilities, are one way to measure the Township's financial health or position.

The government-wide financial statements of the Township are divided into two categories:

Governmental activities – most of the Township's basic services are included here, such as the fire, public works, and general administration. Property taxes, state-shared revenue, charges for services, provide most of the funding.

Business-type activities – the Township charges fees to customers to help it cover the costs of certain services it provides. The Township's only business type-activity is the water supply system.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's most significant funds, not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and/or by bond covenants. The Township Board establishes other funds to control and manage money for particular purposes.

The Township has three kinds of funds:

Governmental funds - Most of the Township's basic services are included in governmental funds, which focus on how cash and other financial assets can readily be converted to cash flow in and out, and the balances left at year end that are available for spending. The governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs.

Proprietary funds - Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information. The only proprietary fund is the Water Fund.

Fiduciary Funds – The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township’s fiduciary activities are reported in a separate statement of assets and liabilities. We exclude these activities from the Township’s government-wide financial statements because the Township cannot use these assets to finance its operations.

FINANCIAL OVERVIEW (Government-wide financial analysis)

The Township has combined total net assets of \$10,578,182. This is an increase of \$278,438 over 2007. Government-type activities comprise \$2,450,441, and business-type activities make up \$8,127,741 of the total net assets. In a condensed format, the table below shows net assets as of the March 31, 2008 and 2007:

	Governmental Activities		Business-type Activities	
	2008	2007	2008	2007
Assets				
Current assets	\$ 844,241	\$ 706,036	\$ 1,077,398	\$ 969,294
Restricted assets	55,659	55,471	2,838,903	2,941,251
Noncurrent assets	<u>1,674,583</u>	<u>1,542,974</u>	<u>7,997,387</u>	<u>8,164,273</u>
Total assets	<u>2,574,483</u>	<u>2,304,481</u>	<u>11,913,688</u>	<u>12,074,818</u>
Liabilities				
Current liabilities	124,042	47,078	24,610	31,812
Liabilities payable from restricted assets	-	-	66,376	77,588
Long-term liabilities	<u>-</u>	<u>-</u>	<u>3,686,154</u>	<u>3,923,077</u>
Total liabilities	<u>124,042</u>	<u>47,078</u>	<u>3,777,140</u>	<u>4,032,477</u>
Net Assets				
Invested in capital assets – Net of related debt	1,674,583	1,542,974	4,311,233	4,241,196
Restricted	252,437	325,871	2,902,493	2,863,663
Unrestricted	<u>523,421</u>	<u>388,558</u>	<u>922,822</u>	<u>937,482</u>
Total net assets	<u>\$ 2,450,441</u>	<u>\$ 2,257,403</u>	<u>\$ 8,136,548</u>	<u>\$ 8,042,341</u>

The Township governmental activities experienced a net change in assets of \$193,038. The business-type activities experienced a net change of assets of \$94,207.

The following table shows the changes in net assets for 2008 and 2007:

	Governmental Activities		Business-type Activities	
	2008	2007	2008	2007
Revenue				
Program revenue:				
Charges for services	\$ 135,063	\$ 138,895	\$ 599,131	\$ 653,162
Operating grants and contributions	19,350	33,450	-	-
Capital Grants and contributions	32,173	87,742	58,223	86,493
General revenue:				
Property taxes	261,887	260,957	-	-
State-shared revenue	270,492	269,122	-	-
Unrestricted investment earnings	32,693	36,146	101,916	102,980
Franchise fees	31,493	27,286	-	-
Gain on sale of asset	83,392	-	-	-
Transfers	1,292	-	(1,292)	-
Total Revenue	867,835	853,598	757,978	842,635
Program Expenses				
General government	249,051	256,343	-	-
Public safety	178,375	202,044	-	-
Public works	222,757	179,325	-	-
Recreation and cultural	24,614	42,273	-	-
Loss on demolition of building	-	-	-	-
Water services	-	-	663,771	696,273
Total Program Expenses	674,797	679,985	663,771	696,273
Changes in net assets	\$ 193,038	\$ 173,613	\$ 94,207	\$ 146,362

Governmental Activities

Revenues for governmental activities totaled \$867,835 in 2008. Of this amount \$261,887 was from property taxes and \$270,492 from state shared revenues.

Business-type Activities

The Township has one business-type activity, the water operations. Total revenues were \$757,978 and expenses were \$663,771 for a change in net assets of \$94,207. Water is provided to the Township residents via the Detroit Water and Sewer Department.

FINANCIAL ANALYSIS OF MAJOR TOWNSHIP FUNDS AND BUDGETS

Governmental Fund

The General fund ended 2008 with a fund balance of \$493,448, with \$105,564 reserved for an advance to the fire department for the purchase of a fire truck, that will be repaid over the next four (4) years. The remaining fund balance of \$387,884 is unreserved and undesignated. This is an increase of \$106,023 from the prior year.

The General Fund budget was amended throughout the year as deemed necessary, primarily to prevent over expenditure. There were no significant general fund amendments during the year.

There were no significant budget amendments to any of the Township's Special Revenue Funds.

Business-type Activities

As indicated earlier, the Township has one business-type activity, the water operations. Total revenues were \$757,978 and expenses were \$663,771 for a change in net assets of \$94,207. Water is provided to the Township residents via the Detroit Water and Sewer Department. The Township has established a System Improvement/Equipment Replacement account, which had a balance of \$163,192 at March 31, 2008.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Township had \$9,671,970 invested in capital assets for its government and business-type activities (net of accumulated depreciation) as of March 31, 2008. The investment in capital assets includes land, land improvements, buildings, machinery and equipment, vehicles and water lines. During the year the Township added \$249,902 of capital assets. \$215,430 was recorded in the government-activities, of which \$162,693 was on the construction of bike paths and \$46,387 on fire department equipment.

The table below summarizes the capital assets at March 31, 2008 and 2007:

	Governmental Activities		Business-type Activities	
	2008	2007	2008	2007
Land	\$ 85,496	\$ 95,496	\$ -	\$ -
Land improvements	153,401	151,301	-	-
Building	815,205	810,955	-	-
Equipment	913,852	867,465	60,947	26,475
Construction in progress	368,337	205,644	2,130	2,130
Water system	-	-	<u>9,795,689</u>	<u>9,795,689</u>
	2,336,291	2,130,861	9,858,766	9,824,294
Accumulated depreciation	<u>(661,708)</u>	<u>(587,887)</u>	<u>(1,861,379)</u>	<u>(1,660,021)</u>
	<u>\$ 1,674,583</u>	<u>\$ 1,542,974</u>	<u>\$ 7,997,387</u>	<u>\$ 8,164,273</u>

Additional information on the Township's capital assets can be found in Note 8.

Long-Term Debt

At March 31, 2008 the Township's business-type activities had debt outstanding of \$3,686,154, a decrease of \$236,923 from the prior year. This debt is related to the construction of the water supply system.

ECONOMIC FACTORS OF NEXT YEARS BUDGET

For the 2008/2009 fiscal year (4/30/08-3/31/08), with the possible use of \$35,546 of the Township's general fund balance, the budget is balanced. The potential use of the general fund balance will use funds the Township has accumulated in its general fund balance to pay for the final construction costs of the Township's portion of the Bridge to Bay bike trail. However, usage of a portion of the general fund balance may not be necessary as Township revenues will be enhanced by receipt of recently approved

additional local grants for assistance in paying for the bike trail construction costs. Also the Township has for sale, two remaining parcels of real estate which were created from what the Township previously had determined was surplus real property. The sale of either of these two parcels will likewise assist in offsetting the costs of constructing the Township's portion of the Bridge to Bay bike trail and not require the use of any of the general fund balance.

Finally, although it has not affected revenues to date, the Township will continue to monitor the impact of the downward trend of the Michigan and St. Clair County real estate markets as it relates to Township real estate tax revenues.

CONTACTING THE TOWNSHIP

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's finances and to show the Township's accountability for the money it receives. If you have any questions about this report or need additional financial information, we invite you to contact Burtchville Township, 4000 Burtch Road, Lakeport, Michigan, 48059, or call the Township Hall at (810) 385-5577.

BASIC FINANCIAL STATEMENTS

BURTCHVILLE TOWNSHIP**St. Clair County, Michigan****STATEMENT OF NET ASSETS****MARCH 31, 2008**

	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 539,466	\$ 703,287	\$ 1,242,753
Investments	224,115	218,358	442,473
Receivables	37,050	121,360	158,410
Due from other governmental units	42,587	-	42,587
Internal balance	(16,124)	16,124	-
Prepaid expenses	17,147	3,978	21,125
Inventory	-	14,291	14,291
Restricted Assets -			
Cash and cash equivalents	7,870	596,772	604,642
Investments	47,373	1,228,303	1,275,676
Deposits with St. Clair County DPW	-	32,225	32,225
Receivable	416	981,603	982,019
Capital assets (net of accumulated depreciation)			
Assets not being depreciated	453,833	2,130	455,963
Assets being depreciated	1,220,750	7,995,257	9,216,007
Total Assets	<u>2,574,483</u>	<u>11,913,688</u>	<u>14,488,171</u>
LIABILITIES:			
Payables and accrued liabilities	124,042	24,610	148,652
Liabilities payable from restricted assets	-	66,376	66,376
Non-current liabilities			
Due within one year	-	315,000	315,000
Due in more than one year	-	3,371,154	3,371,154
Total Liabilities	<u>124,042</u>	<u>3,777,140</u>	<u>3,901,182</u>
NET ASSETS:			
Invested in capital assets, net of related liabilities	1,674,583	4,311,233	5,985,816
Net assets			
Restricted			
Debt retirement/construction of capital assets	-	2,772,527	2,772,527
Cemetery perpetual care nonexpendable	54,659	-	54,659
Public Safety	6,706	-	6,706
Public Works	191,930	-	191,930
Unreserved	<u>522,563</u>	<u>1,052,788</u>	<u>1,575,351</u>
Total Net Assets	<u>\$ 2,450,441</u>	<u>\$ 8,136,548</u>	<u>\$ 10,586,989</u>

The accompanying notes are an integral part of these financial statements.

BURTCHVILLE TOWNSHIP
St. Clair County, Michigan
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General Government	\$ 249,051	\$ 34,093	\$ -	\$ -
Public Safety	178,375	59,266	-	32,173
Public Works	222,757	41,704	2,869	-
Recreation and Culture	24,614	-	16,481	-
Total governmental activities	<u>674,797</u>	<u>135,063</u>	<u>19,350</u>	<u>32,173</u>
Business type activities				
Water Fund	<u>663,771</u>	<u>599,131</u>	<u>-</u>	<u>58,223</u>
Total Primary Government	<u><u>1,338,568</u></u>	<u><u>734,194</u></u>	<u><u>19,350</u></u>	<u><u>90,396</u></u>

General revenues:
Property taxes
Grants and contribution not
restricted to specific programs
 - State shared revenue
 - Franchise fees
Unrestricted investment income
Gain on sale of asset
Transfers
Total general revenues

Change in net assets

Net assets at beginning of year

Net assets at end of year

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Change in Net Assets

Primary Government		
Governmental Activities	Business Type Activities	Total
\$ (214,958)	\$ -	\$ (214,958)
(86,936)	-	(86,936)
(178,184)	-	(178,184)
(8,133)	-	(8,133)
<u>(488,211)</u>	<u>-</u>	<u>(488,211)</u>
<u>-</u>	<u>(6,417)</u>	<u>(6,417)</u>
<u>(488,211)</u>	<u>(6,417)</u>	<u>(494,628)</u>
261,887	-	261,887
270,492	-	270,492
31,493	-	31,493
32,693	101,916	134,609
83,392	-	83,392
1,292	(1,292)	-
<u>681,249</u>	<u>100,624</u>	<u>781,873</u>
<u>193,038</u>	<u>94,207</u>	<u>287,245</u>
<u>2,257,403</u>	<u>8,042,341</u>	<u>10,299,744</u>
<u>\$ 2,450,441</u>	<u>\$ 8,136,548</u>	<u>\$ 10,586,989</u>

BURTCHVILLE TOWNSHIP**St. Clair County, Michigan****BALANCE SHEET
GOVERNMENTAL FUNDS****MARCH 31, 2008**

	General	Fire Fund	Parks and Recreation	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 197,868	\$ 110,712	\$ 2,168	\$ 228,718	\$ 539,466
Investments	87,642	-	-	136,473	224,115
Receivables -					
Interest, accounts, and taxes	10,297	8,726	-	9,413	28,436
Due from other governmental units -					
Federal/State	42,587	-	-	-	42,587
Due from other funds	105,632	-	30,200	1,000	136,832
Advances to other funds	105,564	-	-	-	105,564
Restricted Assets-					
Cash and cash equivalents	-	-	-	7,870	7,870
Investments	-	-	-	47,373	47,373
Interest receivable	-	-	-	416	416
Total Assets	<u>\$ 549,590</u>	<u>\$ 119,438</u>	<u>\$ 32,368</u>	<u>\$ 431,263</u>	<u>\$ 1,132,659</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Payables -					
Accounts	\$ 6,838	\$ 6,976	\$ 24,615	\$ 76,593	\$ 115,022
Accrued wages	2,353	6,040	-	-	8,393
Deposits	627	-	-	-	627
Due to other funds	46,324	-	-	98,018	144,342
Advances from other funds	-	105,564	-	-	105,564
Total Liabilities	<u>56,142</u>	<u>118,580</u>	<u>24,615</u>	<u>174,611</u>	<u>373,948</u>
Fund Balances:					
Reserved -					
Advance to other funds	105,564	-	-	-	105,564
Cemetery perpetual care	-	-	-	54,659	54,659
Unreserved -					
Undesignated -					
General fund	387,884	-	-	-	387,884
Special revenue funds	-	858	7,753	201,993	210,604
Total Equity	<u>493,448</u>	<u>858</u>	<u>7,753</u>	<u>256,652</u>	<u>758,711</u>
Total Liabilities and Fund Equity	<u>\$ 549,590</u>	<u>\$ 119,438</u>	<u>\$ 32,368</u>	<u>\$ 431,263</u>	<u>\$ 1,132,659</u>

The accompanying notes are an integral part of these financial statements.

BURTCHVILLE TOWNSHIP

St. Clair County, Michigan

**RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR
GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
ON THE STATEMENT OF NET ASSETS
MARCH 31, 2008**

Fund Balances - total governmental funds	\$ 758,711
Amounts reported for governmental activities in the statement of net assets are different because:	
Prepaid expenses recorded in the funds on the purchase method	17,147
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets	2,336,291
Accumulated depreciation	<u>(661,708)</u>
Net Assets of governmental activities	<u><u>\$ 2,450,441</u></u>

The accompanying notes are an integral part of these financial statements.

BURTCHVILLE TOWNSHIP**St. Clair County, Michigan****STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES****GOVERNMENTAL FUNDS****FOR THE YEAR ENDED MARCH 31, 2008**

	General	Fire Fund	Parks and Recreation	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 86,696	\$ 114,955	\$ -	\$ 60,236	\$ 261,887
Intergovernmental	273,361	26,173	16,481	-	316,015
Licenses and permits	31,533	-	-	52,973	84,506
Charges for services	38,193	-	-	10,054	48,247
Interest	17,604	1,293	28	13,768	32,693
Other	122,822	10,248	-	125	133,195
Total Revenues	<u>570,209</u>	<u>152,669</u>	<u>16,509</u>	<u>137,156</u>	<u>876,543</u>
Expenditures:					
Current -					
General Government	236,875	-	-	-	236,875
Public Safety	12,785	130,230	-	38,659	181,674
Public Works	105,570	-	-	99,911	205,481
Recreation and Cultural	13,456	-	180,201	-	193,657
Total Expenditures	<u>368,686</u>	<u>130,230</u>	<u>180,201</u>	<u>138,570</u>	<u>817,687</u>
Revenues over (under) expenditures	<u>201,523</u>	<u>22,439</u>	<u>(163,692)</u>	<u>(1,414)</u>	<u>58,856</u>
Other Financing Sources (Uses):					
Transfers in	14,000	-	167,200	15,292	196,492
Transfers out	<u>(109,500)</u>	<u>-</u>	<u>-</u>	<u>(85,700)</u>	<u>(195,200)</u>
	<u>(95,500)</u>	<u>-</u>	<u>167,200</u>	<u>(70,408)</u>	<u>1,292</u>
Net Change in Fund Balances	106,023	22,439	3,508	(71,822)	60,148
Fund Balances (Deficit) at beginning of year	<u>387,425</u>	<u>(21,581)</u>	<u>4,245</u>	<u>328,474</u>	<u>698,563</u>
Fund Balances at end of year	<u>\$ 493,448</u>	<u>\$ 858</u>	<u>\$ 7,753</u>	<u>\$ 256,652</u>	<u>\$ 758,711</u>

The accompanying notes are an integral part of these financial statements.

BURTCHVILLE TOWNSHIP

St. Clair County, Michigan

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

MARCH 31, 2008

Net change in fund balances - total governmental funds	\$	60,148
Change in prepaid expenses recorded in the funds on the purchase method		1,281
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay		215,430
Depreciation expense	(73,821)
Cost of land sold	(<u>10,000</u>)
Change in net assets of governmental activities	\$	<u><u>193,038</u></u>

The accompanying notes are an integral part of these financial statements.

BURTCHVILLE TOWNSHIP, MICHIGAN
St. Clair County, Michigan

STATEMENT OF NET ASSETS
WATER FUND
MARCH 31, 2008

ASSETS:

Current Assets:

Cash and cash equivalents	\$ 703,287
Investments	218,358
Receivables	121,360
Due from other funds	16,124
Inventory	14,291
Prepaid expenses	3,978
Total Current Assets	<u>1,077,398</u>

Restricted Assets:

Cash and cash equivalents	596,772
Investments	1,228,303
Deposits with St. Clair County DPW	32,225
Receivables -	
Special assessments	823,706
Connection fees	141,734
Interest	16,163
Total Restricted Assets	<u>2,838,903</u>

Property, Plant and Equipment:

Property, plant and equipment	9,858,766
Less - accumulated depreciation	(1,861,379)
Total Property, Plant and Equipment	
(net of accumulated depreciation)	<u>7,997,387</u>
Total Assets	<u>11,913,688</u>

LIABILITIES:

Current Liabilities:

Accounts payable	20,771
Accrued wages and fringes	3,839
	<u>24,610</u>

Current Liabilities - Payable from restricted assets:

Accrued interest	66,376
Current portion of contracts payable	315,000
Total Current Liabilities - Payable From Restricted Assets	<u>381,376</u>

Long-Term Liabilities - (net of current portion):

Contracts payable, net of current portion	3,371,154
Total Liabilities	<u>3,777,140</u>

NET ASSETS:

Investment in capital assets, net	4,311,233
Reserved construction/debt	2,772,527
Unrestricted	
Designated - system improvements	163,192
Undesignated	889,596
Total Net Assets	<u>\$ 8,136,548</u>

The accompanying notes are an integral part of these financial statements.

BURTCHVILLE TOWNSHIP, MICHIGAN
St. Clair County, Michigan

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
WATER FUND
FOR THE YEAR ENDED MARCH 31, 2008

Operating Revenues:

User charges	\$ 415,323
Turn on/off fees	7,120
Inspection fees	75
Other charges	12,219
Total Operating Revenues	<u>434,737</u>

Operating Expenses:

Salaries	70,037
Fringe benefits	24,115
Water purchases	134,590
Supplies	21,091
Professional fees	3,076
Contracted services	182
Utilities	9,173
Repairs and maintenance	13,310
Miscellaneous	14,061
Total Operating Expenses	<u>289,635</u>

Operating Income before depreciation	145,102
Depreciation/amortization	<u>(219,435)</u>
Operating Loss	<u>(74,333)</u>

Non-Operating Revenues (Expenses):

User charges - debt service	164,394
Interest earned on -	
Investments	91,309
Special assessments	42,442
Connection fees	10,607
Special assessments	15,781
Interest expense and fees for debt	<u>(154,701)</u>
	<u>169,832</u>

Net Income before Transfers	95,499
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Transfers

Transfers out	<u>(1,292)</u>
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Net Income	94,207
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Net Assets at beginning of year	<u>8,042,341</u>
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Net Assets at end of year	<u><u>\$ 8,136,548</u></u>
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The accompanying notes are an integral part of these financial statements.

BURTCHVILLE TOWNSHIP, MICHIGAN
St. Clair County, Michigan

STATEMENT OF CASH FLOWS
WATER FUND
FOR THE YEAR ENDING MARCH 31, 2008

Cash Flow From Operating Activities:

Receipts from customers	\$ 451,707
Payments to suppliers	(208,675)
Payments to employees	(90,313)
Net Cash Provided by Operating Activities	<u>152,719</u>

Cash Flow From Non-Capital and Related Financing Activities:

Transfers to other funds	(1,292)
Net Cash Used by Non-Capital Related Financing Activities	<u>(1,292)</u>

Cash Flow From Capital and Related Financing Activities:

Bond payments -	
Principal	(255,000)
Interest	(157,607)
Special assessments/connection fees	230,542
User charges - debt service	164,394
Deposits with St. Clair County	(1,361)
Due to other governmental units	(8,306)
Net Cash Used by Capital and Related Financing Activities	<u>(27,338)</u>

Cash Flow From Investing Activities:

Redemptions of investments	137,156
Purchase of property, plant, and equipment	(34,471)
Interest earned	200,950
Net Cash Provided from Investing Activities	<u>303,635</u>

Net increase in cash and cash equivalents for the fiscal year	427,724
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Cash and Cash Equivalents at beginning of fiscal year	<u>872,335</u>
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Cash and Cash Equivalents at end of fiscal year	<u><u>\$ 1,300,059</u></u>
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Reconciliation of operating loss to net cash provided

by operating activities:

Operating loss for the fiscal year	\$(74,333)
Adjustments to reconcile operating loss to net cash provided by operating activities -	
Depreciation and amortization	219,435
Changes in assets and liabilities -	
(Increase) Decrease in -	
Receivables	16,970
Inventory	1,827
Prepays	(3,978)
Increase (Decrease) in -	
Payables	(11,041)
Accrued wages	3,839
Net Cash Provided by Operating Activities	<u><u>\$ 152,719</u></u>

The accompanying notes are an integral part of these financial statements.

BURTCHVILLE TOWNSHIP
St. Clair County, Michigan

STATEMENT OF FIDUCIARY NET ASSETS
MARCH 31, 2008

	<u>Agency Fund</u>
ASSETS:	
Cash and cash equivalents	<u>\$ 18,113</u>
 LIABILITIES:	
Due to other governmental units	\$ 9,499
Due to other funds	<u> 8,614</u>
	<u>\$ 18,113</u>

The accompanying notes are an integral part of these financial statements.

BURTCHVILLE TOWNSHIP, MICHIGAN

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Reporting Entity -

Burtchville Township, Michigan, was organized as a Township in 1842. The Township is one of twenty-three (23) Townships in St. Clair County and covers an area of approximately 18 square miles. The Township operates under an elected Township Board, which consists of the Supervisor, Clerk, Treasurer and two Trustees, and provides services to its more than 3,900 residents in many areas including fire protection, water, roads, cemetery, public safety and recreation.

B. Government-wide and fund financial statements -

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary fund, and fiduciary fund, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting and financial statement presentation -

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year they are intended to finance (the December 2007 levy in the year ended March 31, 2008). Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

BURTCHVILLE TOWNSHIP, MICHIGAN

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgment are recorded only when payment is due.

State shared revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenues of the current fiscal period. Property taxes, which are levied and collected in December of each year, are budgeted and treated as revenue in the subsequent year. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports the following major governmental funds:

General Fund – is the Township’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Fire Fund – is a special revenue fund used to account for taxes and other related revenues restricted for fire service of the Township.

Parks and Recreation Fund – is a special revenue fund used to account for expanding and improving the Township park.

The Township reports the following major proprietary fund:

Water Fund – is used to account for the purchase and distribution of water services to residential and commercial users.

Additionally, the Township reports the following fund types:

Special Revenue Funds – are used to account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulation provisions or administrative actions.

Permanent Fund – is used to account for resources that are legally restricted to the extent that only earnings and not principal may be used for the perpetual care of the Wales Township cemetery.

BURTCHVILLE TOWNSHIP, MICHIGAN

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Agency Fund – is used to account for assets held by the Township as an agent for other governments and other funds.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for this business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenue and expenses for nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds principle on-going operations. The principle operating revenues of the Enterprise Fund are charges to customers for sale and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, the unrestricted resources, as they are needed.

D. Assets, Liabilities and Net Assets or Equity -

Deposits and Investments –

The Township's cash and cash equivalents are considered to be cash on hand and demand deposits. The investment trusts have the general characteristics of demand deposit accounts in that the Township may deposit additional cash at any time and effectively may withdraw cash at any time without prior notice or penalty, and are reported as cash and cash equivalents.

Investments are stated at fair value, which is determined as follows: (a) short-term investments are reported at cost, which approximates fair value; (b) securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates; (c) investments that do not have established market values are reported at estimated fair value; and (d) cash deposits are reported at carrying amount which reasonable approximates fair value.

State statutes authorize the Township to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments (except those with a fluctuating per share value).

BURTCHVILLE TOWNSHIP, MICHIGAN

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Receivables and Payables –

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectible.

Inventories and Prepaid Items –

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when purchased.

Certain payments to vendors reflect costs applicable to further accounting periods and are recorded as prepaid items in the statement of net assets.

Property Tax Calendar –

The Township’s property tax is levied each December 1 on the taxable value of property located in the Township as if the proceeding December 31. Property taxes are recognized as revenues in the year they were intended to finance. The December 2007 levy is recognized as revenue for the year ended March 31, 2008.

The Township also collects taxes for various other municipalities and school districts. The collection and remittance of these taxes are accounted for in the Tax Collection Fund.

Capital Assets –

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of a year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

BURTCHVILLE TOWNSHIP, MICHIGAN

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Property, plant, and equipment of the primary government, is depreciated using the straight line method over the following estimated useful lives:

	<u>Primary Government</u>
Land improvements	10-20 years
Buildings and improvements	20-50 years
Utility systems	50 years
Machinery and equipment	3-20 years

Long-Term Obligations –

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net assets. Bond premiums and discounts, as well as issuance costs, if significant, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financial uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity –

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Estimates –

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

BURTCHVILLE TOWNSHIP, MICHIGAN

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2008

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

Budgetary Information –

The Township Supervisor prepares and submits the proposed operating budgets for the year commencing April 1. The budgets include proposed expenditures and resources to finance them.

Prior to March 31, the proposed budget is presented to the Township Board. The Board holds a public hearing and may add to, subtract from, or change appropriations. The budget is then legally enacted through the passage of a Township Resolution. After the budget is adopted, all amendments must be approved by the Township Board.

The Township's approved budgets were adopted at the department level for the General Fund and the function level (second position representing major program area) for the Special Revenue Funds.

The Township does not employ encumbrance accounting as an extension of formal budgetary integration. All annual appropriations lapse at year-end.

Michigan Public Act 621 of 1978, Section 18, as amended, provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated.

During the fiscal year ended March 31, 2008, the Township incurred expenditures in the General Fund which were in excess of the amount appropriated as follows:

<u>Function/Activity</u>	<u>Total Appropriations</u>	<u>Amount Expended</u>	<u>Budget Variance</u>
General Fund –			
Board of review	\$ 1,160	\$ 1,577	\$ 417
Building enforcement	6,775	6,954	179
Fire Fund –			
Public Safety	112,659	130,230	17,571
Blue Water Transportation Fund –			
Public Works	70,800	75,026	4,226

BURTCHVILLE TOWNSHIP, MICHIGAN

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2008

NOTE 3 - DEPOSITS AND INVESTMENTS:

As of March 31, 2008, the carrying amount of the deposits and investments is as follows:

	Primary Government	Fiduciary Fund	Total
Deposits -			
Cash on hand –			
Petty Cash	\$ 400	\$ -	\$ 400
Deposits with Financial Institutions -			
Checking/Money Market	1,572,327	18,113	1,590,440
Savings/Certificates of Deposit	<u>1,992,817</u>	<u>-</u>	<u>1,992,817</u>
Total Deposits	<u>\$ 3,565,544</u>	<u>\$ 18,113</u>	<u>\$ 3,583,657</u>
Reconciliation To Combined Balance Sheet			
Reported as Cash and Cash Equivalents -			
Petty Cash	\$ 400	\$ -	\$ 400
Cash in Checking/Money Market	1,572,327	18,113	1,590,440
Certificates of Deposit	<u>274,668</u>	<u>-</u>	<u>274,668</u>
Total Cash and Cash Equivalents	1,847,395	18,113	1,865,508
Reported as Investments -			
Certificates of Deposit	<u>1,718,149</u>	<u>-</u>	<u>1,718,149</u>
Grand Total Combined Balance Sheet	<u>\$ 3,565,544</u>	<u>\$ 18,113</u>	<u>\$ 3,583,657</u>

Deposits –

The Township's investment policy and Act 217 PA 1982, as amended, authorizes the Township to deposit in certificates of deposit, savings accounts, depository accounts or depository receipts of a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act 105 of the Public Acts of 1855, as amended, being section 21.145 and 21.146 of the Michigan Compiled Laws.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured institution for savings and demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000.

As of March 31, 2008 the bank balance of the Township's deposits were \$3,654,237 of which \$400,000 was FDIC insured with the balance \$3,254,237 exposed to credit risk because they are uninsured and uncollateralized.

The Township's investment policy primary objectives, in order of priority, are safety, return on investment liquidity, and diversification. The Township Treasurer is responsible for the investment program.

BURTCHVILLE TOWNSHIP, MICHIGAN

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2008

NOTE 3 - DEPOSITS AND INVESTMENTS - (cont'd):

Investments –

Act 20 PA 1994 as amended by Act 1997 PA 1999 authorizes the Township to invest surplus funds in bonds, securities and other direct obligations or repurchase agreements consisting of these financial instruments of the United States government or an agency or instrumentality of the United States; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications by not less than two standard rating services, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of the political subdivisions that at the time of purchase are rated as investment grades by not less than one standard rating service, mutual funds registered under the investment company Act of 1940, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation, investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 3657, 129.111 to 129.118; investment pools organized under the local government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.

Custodial Credit Risk – is the risk that in the event of a bank failure, the Township's deposit or investments may not be returned. The Township investment policy does not address credit risk.

Interest Rate Risk – is the risk that in the event that the market value of securities in the Township portfolio will fall due to changes in the market interest increases. The Township attempts to minimize interest rate by maintaining liquidity to meet all operating requirements without the need to sell securities prior to maturity and investing operating funds primarily in short-term securities, money markets mutual funds, or similar public investment pools. The Township's investments have the following range of maturity dates:

Investment Type	Fair Value	Maturity (Years)		
		<1	1-3	3-5
Certificates of Deposit	\$ 1,992,817	\$ 322,041	\$ 1,670,776	\$ -

Credit Risk – is the risk that in an issuer or other counterparty to an investment will not fulfill its obligation. State laws and Township policy limit the types of investments the Township can purchase, however, there is no additional restriction specified in the Township's investment policy.

Concentration of Credit Risk – is the risk of loss attributed to the magnitude of the Township's investment in a single issuer. The Township's policy specifies that investments will be diversified by security type and institution in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

NOTE 4 - TAXES:

The Township property taxes are levied each December on the assessed valuation of the property located in the Township as of the preceding December 31. On December 1, the property tax attachment is an enforceable lien on property and is payable by the last day of the following February.

BURTCHVILLE TOWNSHIP, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008**

NOTE 4 - TAXES - (cont'd):

Assessed values are established annually by the Township and are equalized by the State at an estimated percentage of the current market value. Real and personal property in the Township for the 2007 levy has a State Equalized Value (SEV) of \$182,811,071 and a taxable value of \$133,825,196.

The millage rates levied by the Township were .6754 for General Operating, .4698 for the Blue Water Area Transportation service and .8965 for Fire protection.

The County of St. Clair has established a Tax Collection Revolving Fund whereby all local units of government are paid for the delinquent real property taxes each year.

NOTE 5 - RECEIVABLES:

Receivables in the governmental and business-type activities are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Special Assessments	\$ -	\$ 823,706
Connection Fees	-	141,734
Due from Other Governmental Units	42,587	-
Accounts and Interest	28,852	137,523
Due from Fiduciary Funds	<u>8,614</u>	<u>-</u>
	<u>\$ 80,053</u>	<u>\$ 1,102,963</u>

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:

The composition of interfund balances as of March 31, 2008:

Due to/From Other Funds –

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Parks and Recreation	General Fund	\$ 30,200
Water Operating Fund	General Fund	16,124
Cemetery Fund	Cemetery Perpetual Care Fund	1,000
General Fund	Building Fund	25,318
	Current Tax Fund	8,614
	Public Improvement Fund	<u>71,700</u>
		<u>\$ 152,956</u>

BURTCHVILLE TOWNSHIP, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008**

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS - (cont'd):

Transfers From/To Other Funds –

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Public Improvement Fund	Water Fund	\$ 1,292
General Fund	Building Inspection Fund	14,000
Parks & Recreation Fund	General Fund	95,500
	Public Improvement Fund	71,700
Cemetery Fund	General Fund	<u>14,000</u>
		<u>\$ 196,492</u>

NOTE 7 - INTERFUND ADVANCES:

Interfund advances described as Advances To/From other fund, reflect long-term amounts due or owed to a particular fund by another fund of the township. These amounts include current portion of long-term loans. A summary of these balances at March 31, 2008 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Fire Fund	<u>\$ 105,564</u>

NOTE 8 - CAPITAL ASSETS:

Primary Government

Capital asset activity of the Township for the year ended March 31, 2008 was as follows:

	<u>April 1, 2007 Balance</u>	<u>Additions</u>	<u>Deletions/ Adjustments</u>	<u>March 31, 2008</u>
<u>Balance</u>				
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 95,496	\$ -	\$ 10,000	\$ 85,496
Construction in progress	<u>205,644</u>	<u>162,693</u>	<u>-</u>	<u>368,337</u>
Total capital assets not being depreciated	<u>301,140</u>	<u>162,693</u>	<u>10,000</u>	<u>453,833</u>

BURTCHVILLE TOWNSHIP, MICHIGAN

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2008

NOTE 8 - CAPITAL ASSETS - (cont'd):

	April 1, 2007 <u>Balance</u>	<u>Additions</u>	Deletions/ <u>Adjustments</u>	March 31, 2008 <u>Balance</u>
Capital assets, being depreciated:				
Land improvements	\$ 151,301	\$ 2,100	\$ -	\$ 153,401
Buildings and improvements	810,955	4,250	-	815,205
Machinery and equipment	<u>867,465</u>	<u>46,387</u>	<u>-</u>	<u>913,852</u>
Total capital assets being depreciated	<u>1,829,721</u>	<u>52,737</u>	<u>-</u>	<u>1,882,458</u>
Less accumulated depreciation for:				
Land improvements	45,368	9,720	-	55,088
Building and improvements	196,214	14,837	-	211,051
Machinery and equipment	<u>346,305</u>	<u>49,264</u>	<u>-</u>	<u>395,569</u>
Total accumulated depreciation	<u>587,887</u>	<u>73,821</u>	<u>-</u>	<u>661,708</u>
Total capital assets being depreciated, net	<u>1,241,834</u>	<u>(21,084)</u>	<u>-</u>	<u>1,220,750</u>
Governmental activities capital assets, net	<u>\$ 1,542,974</u>	<u>\$ 141,609</u>	<u>\$ 10,000</u>	<u>\$ 1,674,583</u>
Business-type Activities:				
Capital Assets, not being depreciated:				
Construction in progress	\$ 2,130	\$ -	\$ -	\$ 2,130
Capital assets, being depreciated:				
Utility systems	9,795,689	-	-	9,795,689
Equipment	<u>26,475</u>	<u>34,472</u>	<u>-</u>	<u>60,947</u>
Total capital assets being depreciated	<u>9,822,164</u>	<u>34,472</u>	<u>-</u>	<u>9,856,636</u>
Less accumulated depreciation for:				
Utility systems	1,636,464	197,181	-	1,833,645
Equipment	<u>23,557</u>	<u>4,177</u>	<u>-</u>	<u>27,734</u>
Total accumulated depreciation	<u>1,660,021</u>	<u>201,358</u>	<u>-</u>	<u>1,861,379</u>
Business activities capital assets being depreciated, net	<u>8,162,143</u>	<u>(166,886)</u>	<u>-</u>	<u>7,995,257</u>
Business-type activities capital assets net	<u>\$ 8,164,273</u>	<u>\$(166,886)</u>	<u>\$ -</u>	<u>\$ 7,997,387</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government	\$ 13,090
Public Safety	43,455
Recreation and Culture	<u>17,276</u>
Total depreciation expense-governmental activities	<u>\$ 73,821</u>
Business-type activities:	
Water and Sewer Operation	<u>\$ 201,358</u>

BURTCHVILLE TOWNSHIP, MICHIGAN

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2008

NOTE 9 - LONG-TERM DEBT:

The following is a summary of changes in long-term liabilities (including current portion) for the year ended March 31, 2008:

	Balance April 1, 2007	Additions	Reductions	Balance March 31, 2008	Due Within One Year
Business-type Activities:					
2000 General Obligation Bonds	\$ 1,800,000	\$ -	\$ 75,000	\$ 1,725,000	\$ 100,000
2004 General Obligation Bonds	2,340,000	-	180,000	2,160,000	215,000
Deferred Amounts for Refunding					
Loss	(216,923)	-	(18,077)	(198,846)	-
	<u>\$ 3,923,077</u>	<u>\$ -</u>	<u>\$ 236,923</u>	<u>\$ 3,686,154</u>	<u>\$ 315,000</u>

St. Clair County has issued General Obligation Bonds to cover the cost of constructing a Water Supply System in Burtchville Township.

Pursuant to provisions of Act 185, Public Acts of Michigan, 1957 as amended, the County and the Township have entered into contracts, whereby the Township has agreed to pay to the County amounts sufficient to pay the principal of and interest on the bonds as they become due and payable.

In order to pay such amounts to the County, the Township is obligated, to the extent necessary to levy add valorem taxes without limitation as to the rate or amount on all taxable property listed in the Township. It is the intention of the Township Board to pay the obligations to the County from special assessments, connection fees, and user charges. Upon final payment of the contract, ownership of the system reverts to the Township.

\$2,225,000 Water Supply System No. IX –
Series 2000 bond, dated July 1, 2000, due in
annual installments ranging from \$100,000 to
\$200,000 through November 1, 2019; interest
ranging from 4.5 to 5.25 percent

\$ 1,725,000

The 2004 \$2,740,000 Water Supply System
No. IX Bonds, dated February 10, 2004, were
Issued to partially refund the 1996 Water
Supply System No. IX Bonds, dated February 1,
1996 and the 1998 Water Supply System No. IX
Bonds, dated February 1, 1998. The 2004 bonds
Are due in annual installments ranging from
\$215,000 to \$275,000 through November 1, 2016;
interest ranging from 2.25% to 5.0% percent

2,160,000

\$ 3,885,000

BURTCHVILLE TOWNSHIP, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008**

NOTE 9 - LONG-TERM DEBT - (cont'd):

Annual Debt Requirements:

The annual requirements to pay the debt principal and interest outstanding at March 31, 2008 are as follows:

	Business-Type Activities	
	G.O. Bonds	
	Principal	Interest
2009	\$ 315,000	\$ 159,303
2010	375,000	149,965
2011	360,000	138,490
2012	370,000	120,890
2013	380,000	107,603
2014-2018	1,685,000	311,673
2019-2020	<u>400,000</u>	<u>31,500</u>
	<u>\$ 3,885,000</u>	<u>\$ 1,019,424</u>

NOTE 10 - WATER SUPPLY SYSTEM AGREEMENT:

Burtchville Township does not own a water filtration plant. Under an agreement dated July 24, 1996, the Township agreed to purchase its present and future water requirements from the St. Clair County Department of Public Works. The County in turn amended its contract with the Detroit Water Board to supply the Township water needs.

NOTE 11 - RESTRICTED ASSETS:

The restricted assets of \$55,659 in the Cemetery Perpetual Care Fund are for perpetual care of the cemetery. The restricted assets of \$2,902,493 in the Water Fund are for capital improvements/debt retirement.

NOTE 12 - RESERVED/DESIGNATED FUND BALANCE/RETAINED EARNINGS:

Reserved Fund Balance/Retained Earnings –

Fund Balance/Retained Earnings has been reserved in the various fund types to indicate that a portion of the Fund Balance/Retained Earnings is not available but reserved for specific purposes:

<u>Fund Type/Fund</u>	<u>Description</u>	<u>Amount</u>
Fund Balance –		
General Fund	Advance to other fund	\$ 105,564
Cemetery Perpetual Care Fund	Cemetery Perpetual Care	<u>54,659</u>
		<u>\$ 160,223</u>
Retained Earnings –		
Water Fund	Debt Retirement	<u>\$ 2,893,686</u>

BURTCHVILLE TOWNSHIP, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008**

NOTE 12 - RESERVED/DESIGNATED FUND BALANCE/RETAINED EARNINGS - (cont'd):

Designated Retained Earnings –

The Township Board has the power to designate or set aside all or a portion of Unreserved Retained Earnings for specific purposes. At March 31, 2008, \$163,192 was designated in the Water Fund for System Improvement / Equipment Replacement.

NOTE 13 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, injuries to employees, medical benefits provided to employees, etc. The Township has purchased insurance coverage for each of these types of losses; however, would be responsible should limit of coverages be exceeded.

REQUIRED SUPPLEMENTARY INFORMATION

BURTCHVILLE TOWNSHIP**St. Clair County, Michigan****GENERAL FUND****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****BUDGET AND ACTUAL****FOR THE YEAR ENDED MARCH 31, 2008**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 82,522	\$ 82,522	\$ 86,696	\$ 4,174
Licenses and permits	20,400	20,400	31,533	11,133
Intergovernmental - State	273,621	273,621	273,361	(260)
Charges for services	37,650	37,650	38,193	543
Interest and rent	9,449	9,449	17,604	8,155
Other	13,000	13,000	122,822	109,822
Total Revenues	<u>436,642</u>	<u>436,642</u>	<u>570,209</u>	<u>133,567</u>
Expenditures:				
General Government -				
Legislative	6,950	6,950	6,134	816
Supervisor	14,500	14,500	14,404	96
Clerk	23,402	23,402	22,796	606
Treasurer	18,455	18,455	17,357	1,098
Assessor	27,575	27,575	19,235	8,340
Board of review	1,160	1,160	1,577	(417)
Election	7,050	7,050	4,818	2,232
General	178,887	178,887	150,554	28,333
	<u>277,979</u>	<u>277,979</u>	<u>236,875</u>	<u>41,104</u>
Public Safety -				
Building enforcement	3,575	6,775	6,954	(179)
Planning commission	11,850	11,850	5,373	6,477
Zoning board of appeals	1,000	1,000	458	542
	<u>16,425</u>	<u>19,625</u>	<u>12,785</u>	<u>6,840</u>
Public Works -				
Roads and drains	89,616	89,616	79,094	10,522
Street lighting	28,000	28,000	26,476	1,524
	<u>117,616</u>	<u>117,616</u>	<u>105,570</u>	<u>12,046</u>
Recreation and Culture -				
Library	11,700	14,200	13,456	744
Total Expenditures	<u>423,720</u>	<u>429,420</u>	<u>368,686</u>	<u>60,734</u>
Revenues over expenditures	<u>12,922</u>	<u>7,222</u>	<u>201,523</u>	<u>194,301</u>
Other Financing Sources (Uses):				
Transfers in	42,563	42,563	14,000	(28,563)
Transfers out	(109,500)	(109,500)	(109,500)	-
	<u>(66,937)</u>	<u>(66,937)</u>	<u>(95,500)</u>	<u>(28,563)</u>
Net Change in Fund Balance	(54,015)	(59,715)	106,023	165,738
Fund Balance at beginning of year	<u>387,425</u>	<u>387,425</u>	<u>387,425</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 333,410</u>	<u>\$ 327,710</u>	<u>\$ 493,448</u>	<u>\$ 165,738</u>

BURTCHVILLE TOWNSHIP**St. Clair County, Michigan****FIRE CAPITAL FUND****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****BUDGET AND ACTUAL****FOR THE YEAR ENDED MARCH 31, 2008**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 108,872	\$ 108,872	\$ 114,955	\$ 6,083
Intergovernmental - Federal	-	-	26,173	26,173
Interest	1,000	1,000	1,293	293
Other revenue	3,700	3,700	10,248	6,548
Total Revenues	113,572	113,572	152,669	39,097
Expenditures:				
Public Safety	112,659	112,659	130,230	(17,571)
Net Change in Fund Balance	913	913	22,439	21,526
Fund Balance (Deficit) at beginning of year	(21,581)	(21,581)	(21,581)	-
Fund Balance (Deficit) at end of year	<u>\$(20,668)</u>	<u>\$(20,668)</u>	<u>\$ 858</u>	<u>\$ 21,526</u>

BURTCHVILLE TOWNSHIP, MICHIGAN
St. Clair County, Michigan

PARKS AND RECREATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Intergovernmental -				
Local	\$ 15,000	\$ 15,000	\$ 16,481	\$ 1,481
Interest	170	170	28	(142)
Other	45,000	45,000	-	(45,000)
	<u>60,170</u>	<u>60,170</u>	<u>16,509</u>	<u>(43,661)</u>
Expenditures:				
Recreation and Cultural	<u>344,575</u>	<u>346,575</u>	<u>180,201</u>	<u>166,374</u>
Revenues under expenditures	(284,405)	(286,405)	(163,692)	122,713
Other Financing Sources:				
Transfers in	<u>285,000</u>	<u>285,000</u>	<u>167,200</u>	<u>(117,800)</u>
Net Change in Fund Balance	595	(1,405)	3,508	4,913
Fund Balance at beginning of year	<u>4,245</u>	<u>4,245</u>	<u>4,245</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 4,840</u>	<u>\$ 2,840</u>	<u>\$ 7,753</u>	<u>\$ 4,913</u>

OTHER SUPPLEMENTARY INFORMATION

BURTCHVILLE TOWNSHIP, MICHIGAN
St. Clair County, Michigan

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
MARCH 31, 2008

	Special Revenue Funds				Permanent Fund	
	Cemetery	Public Improvement	Blue Water Area Transportation	Building Inspections	Cemetery Perpetual Care	Totals
ASSETS						
Cash and cash equivalents	\$ 3,486	\$ 124,602	\$ 70,874	\$ 29,756	\$ -	\$ 228,718
Investments	-	81,884	54,589	-	-	136,473
Receivables -						
Taxes	-	-	4,572	-	-	4,572
Interest	-	1,281	854	2,706	-	4,841
Due from other funds	1,000	-	-	-	-	1,000
Restricted Assets-						
Cash and cash equivalents	-	-	-	-	7,870	7,870
Investments	-	-	-	-	47,373	47,373
Interest receivable	-	-	-	-	416	416
	<u>\$ 4,486</u>	<u>\$ 207,767</u>	<u>\$ 130,889</u>	<u>\$ 32,462</u>	<u>\$ 55,659</u>	<u>\$ 431,263</u>
LIABILITIES AND FUND BALANCE						
Liabilities:						
Accounts payable	\$ 271	\$ -	\$ 75,026	\$ 1,296	\$ -	\$ 76,593
Due to other funds	-	71,700	-	25,318	1,000	98,018
	<u>271</u>	<u>71,700</u>	<u>75,026</u>	<u>26,614</u>	<u>1,000</u>	<u>174,611</u>
Fund Balances:						
Reserved -						
Perpetual care	-	-	-	-	54,659	54,659
Unreserved -						
Undesignated	4,215	136,067	55,863	5,848	-	201,993
	<u>4,215</u>	<u>136,067</u>	<u>55,863</u>	<u>5,848</u>	<u>54,659</u>	<u>256,652</u>
	<u>\$ 4,486</u>	<u>\$ 207,767</u>	<u>\$ 130,889</u>	<u>\$ 32,462</u>	<u>\$ 55,659</u>	<u>\$ 431,263</u>

BURTCHVILLE TOWNSHIP, MICHIGAN
St. Clair County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2008

	Special Revenue Funds				Permanent Fund	
	Cemetery	Public Improvement	Blue Water Area Transportation	Building Inspections	Cemetery Perpetual Care	Total
Revenues:						
Taxes	\$ -	\$ -	\$ 60,236	\$ -	\$ -	\$ 60,236
Licenses and permits	-	-	-	52,973	-	52,973
Charges for services	10,054	-	-	-	-	10,054
Interest	2,443	8,577	2,546	139	63	13,768
Other revenue	-	-	-	-	125	125
	<u>12,497</u>	<u>8,577</u>	<u>62,782</u>	<u>53,112</u>	<u>188</u>	<u>137,156</u>
Expenditures:						
Public Safety	-	-	-	38,659	-	38,659
Public Works	24,885	-	75,026	-	-	99,911
Total Expenses	<u>24,885</u>	<u>-</u>	<u>75,026</u>	<u>38,659</u>	<u>-</u>	<u>138,570</u>
Revenues over (under) expenditures	<u>(12,388)</u>	<u>8,577</u>	<u>(12,244)</u>	<u>14,453</u>	<u>188</u>	<u>(1,414)</u>
Other Financing Sources (Uses):						
Transfers in	14,000	1,292	-	-	-	15,292
Transfers out	-	(71,700)	-	(14,000)	-	(85,700)
	<u>14,000</u>	<u>(70,408)</u>	<u>-</u>	<u>(14,000)</u>	<u>-</u>	<u>(70,408)</u>
Net Change in Fund Balance	1,612	(61,831)	(12,244)	453	188	(71,822)
Fund Balance at beginning of year	<u>2,603</u>	<u>197,898</u>	<u>68,107</u>	<u>5,395</u>	<u>54,471</u>	<u>328,474</u>
Fund Balances at end of year	<u>\$ 4,215</u>	<u>\$ 136,067</u>	<u>\$ 55,863</u>	<u>\$ 5,848</u>	<u>\$ 54,659</u>	<u>\$ 256,652</u>

BURTCHVILLE TOWNSHIP, MICHIGAN**St. Clair County, Michigan****CEMETERY FUND****STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****BUDGET AND ACTUAL****FOR THE YEAR ENDED MARCH 31, 2008**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Charges for services -				
Sale of lots	\$ 4,000	\$ 4,000	\$ 625	\$(3,375)
Grave openings	7,600	7,600	9,429	1,829
Interest	2,000	2,000	2,443	443
	<u>13,600</u>	<u>13,600</u>	<u>12,497</u>	<u>(1,103)</u>
Expenditures:				
Public Works				
Salaries and fringes	1,051	1,051	484	567
Contracted services	5,000	5,000	3,919	1,081
Utilities	1,600	1,600	2,120	(520)
Repairs and maintenance	17,000	17,000	16,133	867
Supplies	100	100	32	68
Capital outlay	2,000	2,000	1,676	324
Miscellaneous	825	825	521	304
	<u>27,576</u>	<u>27,576</u>	<u>24,885</u>	<u>2,691</u>
Revenues under expenditures	(13,976)	(13,976)	(12,388)	1,588
Other Financing Sources:				
Transfers in	14,500	14,500	14,000	(500)
Net Change in Fund Balance	524	524	1,612	1,088
Fund Balance at beginning of year	<u>2,603</u>	<u>2,603</u>	<u>2,603</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 3,127</u>	<u>\$ 3,127</u>	<u>\$ 4,215</u>	<u>\$ 1,088</u>

BURTCHVILLE TOWNSHIP, MICHIGAN
St. Clair County, Michigan

PUBLIC IMPROVEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Interest	\$ 4,000	\$ 4,000	\$ 8,577	\$ 4,577
Expenditures:				
Other	<u>25</u>	<u>25</u>	<u>-</u>	<u>25</u>
Revenues over expenditures	3,975	3,975	8,577	4,602
Other Financing Sources:				
Transfers in	-	-	1,292	1,292
Transfers out	<u>(190,000)</u>	<u>(190,000)</u>	<u>(71,700)</u>	<u>118,300</u>
	<u>(190,000)</u>	<u>(190,000)</u>	<u>(70,408)</u>	<u>119,592</u>
Net Change in Fund Balance	(186,025)	(186,025)	(61,831)	124,194
Fund Balance at beginning of year	<u>197,898</u>	<u>197,898</u>	<u>197,898</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 11,873</u></u>	<u><u>\$ 11,873</u></u>	<u><u>\$ 136,067</u></u>	<u><u>\$ 124,194</u></u>

BURTCHVILLE TOWNSHIP, MICHIGAN**St. Clair County, Michigan**

**BLUE WATER TRANSPORTATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2008**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Taxes	\$ 57,053	\$ 57,053	\$ 60,236	\$ 3,183
Interest	400	400	2,546	2,146
	<u>57,453</u>	<u>57,453</u>	<u>62,782</u>	<u>5,329</u>
Expenditures:				
Public Works	<u>70,800</u>	<u>70,800</u>	<u>75,026</u>	<u>(4,226)</u>
Net Change in Fund Balance	(13,347)	(13,347)	(12,244)	1,103
Fund Balance at beginning of year	<u>68,107</u>	<u>68,107</u>	<u>68,107</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 54,760</u></u>	<u><u>\$ 54,760</u></u>	<u><u>\$ 55,863</u></u>	<u><u>\$ 1,103</u></u>

BURTCHVILLE TOWNSHIP, MICHIGAN**St. Clair County, Michigan****BUILDING INSPECTIONS FUND****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****BUDGET AND ACTUAL****FOR THE YEAR ENDED MARCH 31, 2008**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Licenses and Permits -				
Building permits	\$ 20,000	\$ 20,000	\$ 30,540	\$ 10,540
Electrical permits	10,000	10,000	12,147	2,147
Plumbing and mechanical permits	10,000	10,000	10,286	286
Interest	50	50	139	89
Total Revenues	<u>40,050</u>	<u>40,050</u>	<u>53,112</u>	<u>13,062</u>
Expenditures:				
Public Safety -				
Building inspection	19,625	26,125	26,531	(406)
Electrical inspection	10,225	10,225	4,701	5,524
Plumbing inspection	9,000	9,000	7,427	1,573
Administrative expense	75	75	-	75
Total Expenditures	<u>38,925</u>	<u>45,425</u>	<u>38,659</u>	<u>6,766</u>
Revenues over (under) expenditures	1,125	(5,375)	14,453	19,828
Other Financing Uses:				
Transfers out	<u>(19,000)</u>	<u>(19,000)</u>	<u>(14,000)</u>	<u>5,000</u>
Net Change in Fund Balance	(17,875)	(24,375)	453	24,828
Fund Balance at beginning of year	<u>5,395</u>	<u>5,395</u>	<u>5,395</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ (12,480)</u></u>	<u><u>\$ (18,980)</u></u>	<u><u>\$ 5,848</u></u>	<u><u>\$ 24,828</u></u>

FIDUCIARY FUND

BURTCHVILLE TOWNSHIP

**COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND - CURRENT TAX FUND
FOR THE YEAR ENDED MARCH 31, 2008**

	Balance April 1, 2007	Additions	Reductions	Balance March 31, 2008
Assets:				
Cash and cash equivalents	<u>\$ 10,070</u>	<u>\$ 3,638,657</u>	<u>\$ 3,630,614</u>	<u>\$ 18,113</u>
Liabilities:				
Due to other governmental funds	\$ 4,243	\$ 3,635,870	\$ 3,630,614	\$ 9,499
Due to other funds	<u>5,827</u>	<u>2,787</u>	<u>-</u>	<u>8,614</u>
	<u>\$ 10,070</u>	<u>\$ 3,638,657</u>	<u>\$ 3,630,614</u>	<u>\$ 18,113</u>

To the Supervisor and
Members of the Township Board
Burtchville Township
St. Clair County, Michigan

In planning and performing our audit of the financial statements of governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Burtchville Township as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Burtchville Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the township's internal control. Accordingly, we do not express an opinion on the effectiveness of the township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We considered the following deficiencies to be significant deficiencies in internal controls.

Preparation of Financial Statements In Accordance with Generally Accepted Accounting Principles.

Management routinely prepares internal financial information to assess operations and the financial position of the Township on an ongoing basis. Although the internal financial information is useful to management, it is not presented in accordance with generally accepted accounting principles. The Township contracts with us, the auditors, to prepare adjustments to convert the financial statements from a modified cash basis to the modified accrual or accrual basis, to record the information necessary for the GASB 34 adjustments, and to draft the financial statements, including all necessary notes, in accordance with generally accepted accounting principles. (During our audit we proposed a couple of audit entries, which were significant to the financial statements.)

This is considered to be a control deficiency since errors could occur in the preparation of the financial statements that would result in material deviation from generally accepted accounting principles and the Township would not be in a position to detect them.

All bank accounts and certificates of deposits should be reconciled on a timely basis.

Certificate of deposit balances were not reconciled to the general ledger for the entire year. Failure to reconcile the CD accounts in a timely manner leaves opportunity for misstatements on the general ledger to occur.

Also during the audit we noted that certain bank accounts were not reconciled to the general ledger on a timely basis, some were not reconciled for three (3) months. Although we understand that the individual responsible for the reconciliation process was on medical leave we recommend that the responsibility be reassigned and that the accounts be reconciled with 30 days.

We also recommend that certificates of deposit be included in the monthly reconciliation process.

All checks written (both payroll and disbursements) should have the required dual signature.

During the audit it was noted that certain checks (both payroll and disbursements) were released without the two signatures that is required by internal policy. It is our understanding that the bank does call the Treasurer when a second signature is not present but to increase controls we recommend that the policy be followed more closely to require dual signature on all checks written.

This communication is intended solely for the information and use of management, the Township Board, and others within the Township, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in cursive script, reading "Stewart, Beauvais & Whipple".

July 29, 2008

July 29, 2008

To the Township Board
Burtchville Township
St. Clair County, Michigan

We have audited the financial statement of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Burtchville Township for the year ended March 31, 2008, and have issued our report thereon dated July 29, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 21, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of Burtchville Township. Such considerations were solely for the purpose of determining out audit procedures and not to provide any assurance concerning such internal control.

Planned Scope and Timing of Audit

We performed the audit according to the planned scope and timing previously communicated to you.

Significant Accounting Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Burtchville Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2008. We noted no transaction entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate for depreciation and the recording of unbilled water services. Management estimates for these items are based on historical data, estimated lives, and billings during subsequent months. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management:

- To record in-kind revenue/expense for Homeland Security Radios
- To record interest revenue for CD's that were rolled during the year where no entry was posted
- To reclassify bond payments posted as expenses to reduce the liability

Assistance with GASB 34 Presentation

As a result of our assistance with the GASB 34 presentation, we proposed several entries to the March 31, 2008 account balances to reflect the difference between the Governmental Fund and the Governmental-wide financial statements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 29, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

In addition to the Report on Internal Control, we noted other items that, although are not considered significant deficiencies, could improve controls, the operational efficiency and/or compliance with laws and regulations. These items are discussed in Attachment A.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Township Board and management of Burtchville Township and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in cursive script that reads "Stewart, Beauvais & Whipple".

Stewart, Beauvais & Whipple

Attachment A

The following is a list of items that we discussed with administration that are not considered significant deficiencies, however, are items that could improve controls, the operational efficiency of the accounting department and or compliance with laws and regulations:

Back-up of the computer system data should be maintained off-site.

Based on discussions with management, it is our understanding that the Township backs-up data files each night with the file maintained in the Clerk's safe. In the event of a fire or other natural disaster the back-up could be damaged or lost.

To increase security, we recommend that the Township maintain back-up files off-site at least monthly, but preferably on a weekly basis.

The Township should consider modifying its investment policy.

During 2006, GASB No. 40 became effective for all governmental units. The Statement requires that the governmental unit disclose additional information regarding the types of investments held, length of maturity, security's rating, any limitation on the amounts that can be invested with any one financial institution or type of investment, etc. In addition, it discusses four types of risk: custodial credit risk, interest rate risk, credit risk and concentration of credit risk. (See Note 3 to the annual financial statements.)

We recommend that the current Township investment policy be reviewed and modified to address each type of risk. During this process the Board should consider whether they want to limit the amount and/or percentage of cash and investment that can be invested with any financial institution since the Township is only insured for \$100,000 with each financial institution.